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SUBJECT: NEW ECONOMIC ADVISER INTENDS TO ACCELERATE REFORM

REF: DUSHANBE 0199

CLASSIFIED BY: Richard E. Hoagland, Ambassador, EXEC, Embassy
Dushanbe.

REASON: 1.4 (b), (d)

11. (C) Newly appointed Presidential Adviser on Economic Affairs Matlubhon Davlatov characterized his appointment not as a change in President Rahmonov's economic reform agenda but as a means to accelerate it. "I'm not new to this team," he told the Ambassador during a February 17 initial meeting, explaining that he has been part of the presidential economic team nearly from the beginning, first as head of privatization (reftel), then more recently as head of the Office of Financial Control (somewhat like the U.S. OMB) in the Presidential Apparatus. He agreed with the Ambassador's suggestion that his goal in his new job is to accelerate economic reform. He laughed at recent media reports claiming he is widely disliked for his knock-their-heads-together reputation as a get-it-done bureaucrat.

12. (C) COMMENT: Davlatov's predecessor, Faizullo Khoboboyev, was increasingly seen by the international community as a charming but increasing roadblock, rather than facilitator, for economic reform, and was generally accused of single-handedly stalemating resolution of the critical farm-debt problem. In fact, he himself did not have that kind of power, but was likely simply representing special interests. The Presidential Apparatus is currently well aware that the World Bank is about to come down hard on Tajikistan for the farm-debt problem. END COMMENT.

¶3. (C) Davlatov praised U.S.-Tajik relations, and noted the profound economic impact that would come from completing the U.S.-funded bridge at Nizhniy Pyanzh. The "Road of Life," as he called it, will greatly increase trade opportunities for both Tajikistan and Afghanistan, and play an important role in building prosperity in the region, he said. Hearing of the recent cement supply problems for the construction site, he made a note and said firmly, "That will be resolved." (COMMENT: It won't be that easy, but his backing will help. END COMMENT.)

¶4. (C) Davlatov made a brief pitch for bilateral debt forgiveness, which would provide Tajikistan more room to implement economic reform. He hoped "other countries" (i.e., the United States) would follow the IMF's recent decision to forgive \$99 million. Davlatov highlighted developments in hydropower as another important prospect for Tajikistan, and welcomed U.S. involvement in this sector.

¶5. (C) Davlatov hewed to current government talking points - "Thanks for the humanitarian aid, but we are ready for economic assistance," meaning direct foreign investment. He noted information on USAID assistance in a comprehensive Tajik government publication was out of date, and asked for more current and detailed data about U.S. support. (COMMENT: USAID has regularly provided the Tajik government broad-brush information on its sectoral involvement, but is reluctant to provide detailed statistical information because the government wants to use it to crosscheck the bottom-line assistance U.S. NGOs report. Our State Department position is that it is better to be transparent, especially because we advocate transparency for Tajikistan. END COMMENT.)

¶6. (C) Davlatov noted that the coming months would be extremely busy for the Tajik government, including the ceremonial opening

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of the Anzob Tunnel and concurrent visit by Iran's President Ahmedinejad. Especially important, President Rahmonov's annual April speech to Parliament will announce a recommitment to economic reform and growth, and it is already being drafted under Davlatov's supervision.

¶7. (C) Davlatov confirmed he will travel to Washington in April for the annual World Bank/IMF meetings, and welcomed the Ambassador's offer to set up political side meetings for him (septel).

¶8. (C) COMMENT AND BIO DATA: Davlatov made a positive first impression. Probably in his early 50s, he is polite, slim, well-tailored, and precisely well-spoken, although he is clearly a no-nonsense kind of guy that you probably would not want to cross. He has a Russian PhD in economics, was of course a "Komsomol boy," and has been involved in economic affairs his entire career. We know he is a close relative of President Rahmonov, but whether uncle or cousin we have not yet been able to pin down. The closest we have gotten is that growing up the two "shared a garden wall" in Dangara. It is broadly assumed Davlatov is extremely wealthy, having made his first fortune when he oversaw the first phases of Tajikistan's post-Soviet privatization. After a few too many vodka toasts at a government banquet last year, he reportedly threw his arm around then-Aga Khan Director Hakim Feerasta's shoulder and slurred magnanimously, "Why haven't you built your Serena Hotel yet? If you need money, I'll give it to you personally."

¶9. (C) COMMENT AND BIO DATA CONTINUED: Davlatov told us with a fair amount of pride he has been to the United States six times, the first in the 1980s when he was part of a Soviet economic delegation. In 1995, he spent two weeks in Kansas City at an economic reform seminar. Davlatov clearly understands English fairly well, but is reluctant to use it, except for a few polite phrases. During the meeting, a telephone rang, and Davlatov abruptly jumped up to answer it. His notetaker, a young woman from the banking sector, mouthed to us, "the President." When Davlatov returned to the table, he explained that he is obliged to answer when the "special direct line" rings. END COMMENT.

